

Message Text

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E.O. 11652: TAGS: ETRD, EAGR, CH, US

SUBJECT: TCK WHEAT SMUT PROBLEM

REF: PEKING 699

SUMMARY: CEROILFOOD TOLD REPS OF COOK INDUSTRIES THEY WILL BE PREPARED TO TALK TO THEM FURTHER ABOUT THE TCK PROBLEM AFTER THE FORTHCOMING VISIT OF A CARGILL AND DREYFUS DELEGATION WHICH WILL INCLUDE USDA REPS. IN GENERAL, HOWEVER, COOK IS PESSIMISTIC ABOUT THE POSSIBILITY OF AN ACCEPTABLE SOLUTION. END SUMMARY.

1. AFTER FURTHER DISCUSSIONS WITH THE CHINA NATIONAL CEREALS, OILS AND FOODSTUFFS IMPORT AND EXPORT CORPORATION (CEROILFOOD) ON APRIL 29 AND 30, OFFICIALS OF COOK INDUSTRIES REPORT NO PROGRESS ON THE TCK PROBLEM. THE ONLY GLIMMER OF HOPE IS THAT THE CHINESE TOLD COOK THAT THE CARGILL AND DREYFUS DELEGATION WITH USDA REPS WILL BE COMING SHORTLY AND THAT THEY WILL BE PREPARED TO TALK FURTHER WITH COOK ABOUT TCK AFTER THAT VISIT. THE COOK OFFICIALS ARE UNDECIDED ABOUT HOW TO HANDLE THE REMAINING PORTION OF THEIR OUTSTANDING CONTRACT, BUT SAID THEY MIGHT SEND ONE OR TWO CAREFULLY INSPECTED SHIPMENTS PENDING THE OUTCOME OF THE CARGILL AND DREYFUS DELEGATION VISIT AND ANY SUBSEQUENT DISCUSSIONS. OVERALL, HOWEVER, THEY ARE PESSIMISTIC ABOUT THE POSSIBILITY OF FINDING A SOLUTION ACCEPTABLE TO THE CHINESE THAT WOULD MAKE IT FEASIBLE FOR THE GRAIN COMPANIES TO SHIP US WHEAT WITHOUT FACING THE GREAT RISK OF REJECTION.

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3. THE COOK OFFICIALS SAID THEY ALSO HAD AN ACRIMONIOUS SESSION WITH CEROILFOOD OVER A VARIETY OF CLAIMS WHICH THE CHINESE ARE MAKING AGAINST COOK AND WHICH COOK BELIEVES ARE SIMILAR TO CLAIMS BEING MADE AGAINST OTHER SHIPPERS OF US WHEAT AND CORN. THESE INCLUDE CLAIMS FOR DEAD MICE FOUND IN WHEAT SHIPMENTS (THE CHINESE, COOK SAYS, ARE EMPLOYING A MUCH MORE RIGID STANDARD THAN THAT USED IN THE US); FOR DEMURRAGE IN CHINESE PORTS (E.G. RELATED TO NEED FOR CARGO FUMIGATION) EVEN THOUGH COOK SOLD THE WHEAT FOB; AND, FOR CORN DAMAGE WHICH EXCEEDS AGREED TOLERANCE LEVELS IN THE CONTRACT. ALTHOUGH COOK BELIEVES THE CHINESE CLAIMS ARE EXCESSIVE, THE COMPANY MADE OFFERS FOR COMPROMISE SETTLEMENT AND ALSO AGREED TO CONSIDER CHINESE CLAIMS WHICH WERE MADE SUBSEQUENT TO THE 40 DAY TIME LIMIT SPECIFIED IN THE CONTRACTS.

4. IN THEIR VISIT TO SHANGHAI (PARA 3 REFTEL), THE COOK OFFICIALS HAVE MADE IT CLEAR THEY WERE NOT PERMITTED TO WITNESS TCK TESTING PROCEDURES OR LABORATORY TECHNIQUES, AND THEIR POINT THAT SOME OF THE SMUT FOUND MIGHT POSSIBLY RESULT FROM UNCLEAN SAMPLE BAGS OR DOCK CONDITIONS IS AN ASSUMPTION ON THEIR PART.

5. EXCEPT FOR VICE PRESIDENT SPARKS AND PROFESSOR CHAFER WHO ARE STAYING UNTIL THE END OF THE WEEK, THE COOK INDUSTRIES TEAM IS LEAVING PEKING ON MAY1. PRESIDENT OF THE FIRM EDWARD COOK PLANS TO BE IN TOUCH WITH SECRETARY BUTZ IN A FEW DAYS. HE TOLD USLO HE HAS NO OBJECTION IF THE USG WISHES TO MAKE ANY OF THE INFORMATION HE GAVE US (THIS CABLE AND REFTEL) AVAILABLE TO MEMBERS OF THE CARGILL-DREYFUS-USDA DELEGATION THAT WILL BE VISITING PEKING ON THE TCK PROBLEM.
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